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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: RITE CONTRACTOR MONITORING STATUS REPORT

We have completed our monitoring reviews of the Department of Community and Senior Services' (DCSS) Refugee Immigrant Training and Employment Program (RITE) contractors. In January 2004, the Audit Committee instructed us to perform program reviews on the then remaining 11 RITE contractors.

Summary of Findings

The most common finding of the monitoring reviews was that the contractors often overstated employment and job training outcomes, resulting in the contractors over billing DCSS. DCSS administers the RITE program for the Department of Public Social Services (DPSS). Examples of over billings included:

- Billing for placing participants in full-time jobs when the participants were already employed full-time with the same employer, or billing for placing participants in full-time jobs when the participants were working part-time
- Billing for placing participants in commission-compensated employment without obtaining copies of the commission contracts to ensure that the participants were properly compensated, and billing for placing participants in part-time employment when the participants were employed and compensated through a federal work-study program
- Billing for placing participants in employment for which they were paid based on piecework (each piece they complete) rather than an hourly wage, as required

- Billing for placing participants in part-time employment when the participant was employed less than part-time
- Billing for Case Management and Job Club services when the participant did not receive all the required service components
- Not ensuring the program participants' receive paychecks from employers that are in accordance with the California State Labor Code so that the contractors can verify job placements prior to billing DCSS

We also noted that it was common practice, at least at the start of the RITE Program, for contractors to provide services using staff that did not meet the minimum contract qualifications. Attachment I shows a summary of findings for each contractor.

Contractor Comments

Several contractors stated that DCSS and the Department of Public Social Services (DPSS) did not provide them with sufficient training and that DCSS did not provide sufficient program oversight. The contractors also stated that portions of the County contract are not clear and that DCSS, in some cases, verbally approved their actions. In addition, the contractors noted that DCSS historically did not challenge many of the non-compliance issues noted in our reviews.

Response to Contractor Comments

DCSS oversight was deficient. Also, a more precisely worded contract would have been helpful in interpreting some administrative matters contractors brought to our attention. Nevertheless, contractors consistently billed for placing participants in full-time jobs when the participants were already employed full-time with the same employer, or billed for placing participants in full-time jobs when the participants were working part-time. These improper billing practices, in addition to other noted contract non-compliant areas such as Case Management and Job Club services where participants did not receive all required contract services, cannot be dismissed as being caused by a lack of contract or program understanding or poor contract wording. The contractors demonstrated knowledge of correct billing policies in other cases we reviewed. In addition, the contract provisions for case management called for some level of job assistance for participants, not simply filing the participants' pay stubs each month. The non-compliances with these basic contract provisions resulted in contractors being overpaid for services provided, or being paid for services they did not provide.

Proposition A Status – Cost Effectiveness

As in all Proposition A contracts, the RITE contracts must cost the County less than if County employees provided the service. The combined cost savings of these contracts, originally determined in 2002, were only \$51,000. As a result of two incidences of very large RITE contract employee thefts of program funds, DPSS had to significantly restructure payment controls and monitoring of ancillary and transportation

reimbursements. DPSS indicated that the additional cost of these controls exceed \$1 million. Therefore, current RITE contracts are not cost effective. Accordingly, a new Proposition A cost study will need to be performed before considering any option for administering the RITE program in the future that involves the use of contractors.

RITE Program Administration and Operations

Because of the significant problems noted in the administration and operations of this program, the issue of cost effectiveness, and the excessive amounts of additional County resources that would be needed to monitor and ensure the contractors correct the deficiencies, the Auditor-Controller recommends this program no longer be contracted and that the responsibility for administering and providing direct services be transferred to DPSS. This will provide for direct County control over the program and help ensure resources are utilized in an effective and efficient manner. We further recommend that DPSS develop RITE Program outcomes and performance measures with indicators to help ensure accountability and maximum program effectiveness.

The current RITE contractors are also providing services under the Refugee Employment Program (REP). Accordingly, we will be conducting an analysis of the REP to determine the most appropriate method of service delivery for that program as well, and provide a recommendation to DCSS and DPSS in the near future.

We have discussed these recommendations with DPSS and DCSS and both departments are in agreement with them. The current RITE contracts expire on September 30, 2004. DCSS will request Board approval to extend current contracts on a month-to-month basis for up to three additional months to allow time to transition the case load to DPSS.

Please call me if you have any questions, or your staff may contact DeWitt Roberts at (626) 293-1101 or Don Chadwick at (626) 293-1102.

JTM:DR:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Department of Public Social Services
Bryce Yokomizo, Director
Lisa Nunez, Chief Deputy
Shirley Christensen, Program Director
Department of Community and Senior Services
Cynthia Banks, Chief Deputy Director
Josie Marquez, Program Director
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**REFUGEE/IMMIGRANT TRAINING & EMPLOYMENT (RITE) PROGRAM
AUDITOR -CONTROLLER'S CONTRACT REVIEWS
SYNOPSIS OF RESULTS OF REVIEWS**

Armenian Evangelical Social Service Center (AESSC)/ Second, Third, and Fifth Districts	<ul style="list-style-type: none"> ○ 29 cases sampled with a total expenditure of \$6,900. ○ Agency overcharged County by 39.9% (\$2,750 of the \$6,900) of the billings for the sampled cases.
Armenian Relief Society (ARS)/ First, Second, Third, Fourth, and Fifth Districts	<ul style="list-style-type: none"> ○ 25 cases sampled with a total expenditure of \$6,576. ○ Agency overcharged County by 62.3% (\$4,100 of the \$6,576) of the billings for the sampled cases.
Catholic Charities (CIU)/ First, Second, Third, Fourth, and Fifth Districts	<ul style="list-style-type: none"> ○ 89 cases sampled with a total expenditure of \$2,510. ○ Agency provided the services in accordance with the County contract.
Community Based Education & Development (CBD) AKA Chabad College/ Second and Third Districts	<ul style="list-style-type: none"> ○ 26 cases sampled with a total expenditure of \$6,884. ○ Agency overcharged County by 30.3% (\$2,840 of the \$6,884) of the billings for the sampled cases.
Economic and Employment Development Center (EEDC)/ First, Third, and Fifth Districts	<ul style="list-style-type: none"> ○ 28 cases sampled with a total expenditure of \$6,865. ○ Agency overcharged County by 48.1% (\$3,300 of the \$6,865) of the billings for the sampled cases. ○ Agency billed DCSS for services provided to participants that were not eligible for the services. ○ Five of the seven case managers do not possess the required qualifications
International Institute of Los Angeles (IILA)/ First, Second, Third, and Fifth Districts	<ul style="list-style-type: none"> ○ 29 cases sampled with a total expenditure of \$9,518. ○ Agency overcharged County by 30.8% (\$2,934 of the \$9,518) of the billings for the sampled cases. ○ Agency billed DCSS for services provided to participants that were not eligible for the services.
Jewish Vocational Services (JVS) – Second, Third, and Fifth Districts	<ul style="list-style-type: none"> ○ 29 cases sampled with a total expenditure of \$5,860. ○ Agency overcharged County by 13.1% (\$700 of the \$5,860) of the billings for the sampled cases. ○ Agency billed DCSS for services provided to participants that were not eligible for the services.
Los Angeles Unified School District (LAUSD)/ First, Second, Third, Fourth, and Fifth Districts	<ul style="list-style-type: none"> ○ 22 cases sampled with a total expenditure of \$8,150. ○ Agency overcharged County by 49.7% (\$4,050 of the \$8,150) of the billings for the sampled cases.

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Pacific Asian Consortium in Employment (PACE)/ First, Second, and Fifth Districts	<ul style="list-style-type: none"> ○ 26 cases sampled with a total expenditure of \$6,742. ○ Agency overcharged County by 16.3% (\$1,096 of the \$6,742) of the billings for the sampled cases.
Community Employment Project (CEP)/ First, Third, Fourth, and Fifth Districts	<ul style="list-style-type: none"> ○ 29 cases sampled with a total expenditure of \$9,350. ○ Agency overcharged County by 39% (\$3,650 of the \$9,350) of the billings for the sampled cases
Community Rehabilitation Industries (CRI)/ Fourth District	<ul style="list-style-type: none"> ○ 29 cases sampled with a total expenditure of \$5,652. ○ Agency overcharged County by 36.1% (\$1,902 of the \$5,652) of the billings for the sampled cases. ○ Agency billed DCSS for services provided to participants that were not eligible for the services.